Manitoba Tire Stewardship Board

2000/2001 Annual Report

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TABLE OF CONTENTS

INTRODUCTION 1

GOALS 2

PROGRESS IN 2000/01 2

ACCOUNTABILITY 3

PROMOTION 4

PROVINCIAL HARMONIZATION 4

INDUSTRIES STATUS 5

BOARD MEMBERS 7

THE FUTURE 8

FINANCIAL STATEMENTS – MARCH 31, 2001

Introduction

Manitobans discard approximately one million scrap tires a year. In previous years, these ended up in municipal waste disposal grounds where they were eventually buried or sometimes burned. In 1992, the Manitoba Government instituted a $3 levy on all tires sold in Manitoba for use on licensed vehicles or trailers. In April 1995, the Tire Stewardship Board was established as an arm's length from government statutory corporation to work with stakeholders to develop solutions to scrap tire management problems in Manitoba. The program is funded by tire consumers through the retail industry. Revenues are held in a dedicated fund, managed by the Tire Stewardship Board. Solutions are delivered by the industry with funding paid on proof-of-sale of approved recycled products.

Scrap tires in waste disposal grounds take up large amounts of space and pose a significant health and fire hazard. Finding alternative uses for scrap tires solves these problems and contributes to a reduction of the waste stream. New uses of scrap tires also contribute significantly to the economy of Manitoba.

The Waste Reduction and Prevention Act and the Tire Stewardship Regulation 33/95 provide the authority to make scrap tires a designated material and allows the Board to collect a tire levy on the sale of new tires and establish a fund and management program managed by the Board.

The Board does not regulate the ownership, control, or use of scrap tires outside the Program nor does it guarantee a supply of tires to recyclers or encroach on the waste management responsibilities of municipal authorities.

Goals

The basic goals of the Board for 2000/2001 were through a financial incentive to the industry to:

1. Divert the flow of scrap tires to registered processors to recycle this waste into products for resale. This goal continues to be achieved and in this year, the number of passenger tire equivalents (PTE's) of scrap tires recycled was 937,421 PTE's.

2. Have the Tire Stewardship Regulation amended to levy all off-the-road tires (OTR's) in order to encourage and stimulate the industry with monetary incentives to find ways to recycle OTR's into saleable useful products. The legislation was not changed to include a levy on OTR's. A government decision on this legislation change was requested in a new Three-Year Business Plan, but the Minister of Conservation has not approved the plan. He has given the plan to his staff to review and wants a consultation process designed by his staff and the Board. The Board having previously made this proposal three years ago is seriously concerned that this on-going delay means that some (probably an increasing number) of OTR products may be landfilled or otherwise disposed of in an un-environmentally friendly manner.

3. Continue to keep up communications with stakeholders and the public on this program through a broadened communications program. This is an ongoing effort.

4. Maintain support for industry recycling industries which both maximize environmental benefit and assist the economy of Manitoba.

Progress in 2000/01

The Tire Stewardship Board works co-operatively with tire wholesalers and retailers, auto dealers, municipalities and local governments, regional waste management authorities, processors, collectors and the public.

The Board has worked with retailers, distributors and the Board's contracted levy collector to ensure that all levies are being properly collected. This is an on-going task that also identifies which retailers should be audited for non-compliance.

The number of processors in contract with the Board was reduced by one. However, the degree of participation generally remained the same as last year. There was a decrease (334,380 PTE's) in the number of tires recycled this year compared to 1999/2000 mainly because of a reduction in engineering projects using tire shred. There are currently six active processors.

The following areas were addressed by the Board during the past year:

Accountability

- Arranged for an independent audit of the Board's finances and accounting.
- Carried out audits of Reliable Tire Recycling (RTR) and Tire Recycling Corporation of North America Inc. (TRC) and physical audits at RTR and TRC.
- Continued to investigate non-levy remittance from monthly lists and had 36 audits/investigations of retailers carried out as part of the Board's financial contract. These audits returned $11,157 to the Board.
- Issued new three-year licenses to all tire retailers and car dealers as required by Regulation (total licensed approximately 890).
- Held four Board of Directors' meetings, two Board conference calls, one committee meeting, and one meeting of the Canadian Association of Tire Recycling Agencies (CATRA).
- Reduced credits for blast mats, tire sidewalls, coarse shred and die-cut products produced out-of-province.

Promotion

- Produced a newsletter of the Board's program during this year for distribution to approximately 3,000 retailers, stakeholders, and other interested parties. This newsletter was published in the *Manitoba Business Magazine* – distribution 8,000.

Provincial Harmonization

- The Chairman and Board attended The Rubber Association of Canada's biennial symposium in Toronto, Ontario.

The Board's General Manager:

- On behalf of the Tire Stewardship Board Chairman, participated in structuring the Canadian Association of Tire Recycling Agencies and put a CATRA web site in place and linked all provincial web sites.

- Worked with Recyc Quebec to develop an overview of Canadian recycling and to present it at the rubber recycling symposium put on by The Rubber Association of Canada.

- Made four presentations in Winnipeg at various recycling workshops.

- Wrote articles on tire recycling for the American *Scrap Tire News Magazine*.

- Was a CJOB Winnipeg talk show guest on a program dealing with scrap tires.

Accomplishments:

- A total of 937,421 passenger tire equivalents (PTE's) were recycled. This represents approximately 9,374 tons of scrap tires diverted from landfills this year. At year-end, the Board estimated that processors' inventories held approximately 3 – 400,000 PTE's, most of which are medium truck tires and off-road industrial and farm tires for which no levy has been assessed or collected.

- There were a total of 718,221 car, light truck and medium truck tires sold in Manitoba this year, down by 48,154 from last year. It is estimated that 30,000 off-road tires were sold. The composition of scrap tire types being generated in Manitoba for the past five years expressed as passenger tire equivalents (PTE's) was passenger/light truck 52 percent, medium truck 36 percent and off-road 12 percent.

- Revenue from the levy decreased by $134,832 from 1999/2000. In addition a potential of $143,641 for the whole year was not forthcoming in PST, as in May of 2001 the government's Treasury Board notified the Tire Stewardship Board that it decided not to provide the tax equivalency grant (PST) portion of the levy ($.20) for fiscal years 2000/01 and 2001/02. This decision will be reconsidered for the next fiscal year. The levy portion ($2.80 per tire) will continue to be used for the Tire Stewardship Board purposes.

- Due to increased trucking charges, the Board subsidized processor freight costs by approximately $49,000, most of which was for northern tire collection.

- Project management and project accounting were contracted.

Industries Status

Reliable Tire Recycling has been involved in several large geotech/engineering projects. This year they produced 455,049 PTE's of coarse shred which was incorporated in road construction and cattle feeder lots for drainage. They also produced approximately 100 blasting mats and 7,300 traffic cone collar weights for a total of 48,000 PTE's. Approximately 5,000 bias ply tires were sold to an American firm which makes die-cut products.

The Tolko Pulp and Paper Plant in The Pas, Manitoba, is now licensed to burn tire shred as fuel. They utilize two-inch tire shred which is burned in a ratio with 90 percent wood chip. The tire shred will be made from hard-to-handle scrap tires. Reliable Tire Recycling plans to produce two-inch shred for sale to Tolko.

The Tire Stewardship Board has been instrumental in helping a private company in Faulkner, Manitoba obtain large mining tires at no cost for the production of water cisterns or feeders for cattle. The mining companies are happy to have finally found a relatively inexpensive way to recycle their scrap tires. The mining companies pay for the loading and freight costs to get the tires to the storage area near Ashern, Manitoba. Almost all Manitoba mining tires have been cleaned up and the company is trying to access tires from other provinces.

Tire Recycling Corporation of North America in Winkler continues to refine and improve their production of cattle trailer mats. Last year they produced and sold 6,070,500 pounds of finished product made up of mud flaps, mats and specialty products (principally golf mat underlay). In the last six years they have produced and sold approximately 30 million pounds of products.

Board Members

The Chairman of the Board and one director are appointed by the Minister of Conservation, and three members are appointed by stakeholder organizations. The Board operated and ended its fifth year with four Board members. In this year, the Western Canada Tire Dealers changed their Board representative from Moe Tresoor to Jim McKenzie. CAA Manitoba representative Alice Poyser became Secretary-Treasurer. In 2000/2001 the members of the Board were:

Ken E. Friesen, Chairman
Appointed by the Minister of Conservation

Alice Poyser, Secretary-Treasurer
CAA Manitoba

Brian James, Director
The Rubber Association of Canada

Jim McKenzie, Director
Western Canada Tire Dealers

The Future

During this year, levies were collected on 718,221 passenger, light truck and medium truck tires sold in Manitoba. In the past five years, levied tire sales ranged between 691,000 and 766,000 tires annually. For reasons unknown to the Board, tire sales in this year were 48,154 lower than in 1999/2000. It should also be noted that all tire sale numbers would be higher if the estimated 30,000 unlevied industrial and agricultural tires were included.

The Board presented the Manitoba government with a Three-Year Business Plan to cover the next three years starting April 1, 2001 and continuing to March 31, 2004. The government reviewed the Three-Year Business Plan which requested levy changes and new levies on industrial and agricultural tires. The plan also included a risk analysis of the impact of no levy changes on future operations of the program. The Board met with the Minister of Conservation, the Honourable Oscar Lathlin and his staff and presented the Business Plan to them. The Minister has requested that the Board work with the Department on the proposal and to help develop an appropriate consultation process.

The Board will continue to attempt to have a portion of the OTR's recycled but processors' stockpiles of these tires are increasing. It is the Board's goal to have the Tire Stewardship Regulation changed to incorporate a levy on OTR's so that these hard-to-handle and expensive-to-recycle tires can be recycled. These tires by weight comprise 9.8 percent (1,250 tons) of the entire Manitoba scrap tire stream. In the near future, the Board will require these new levies to help establish an innovative industry approach to recycling OTR's. Without these levies, the Board's program will be restricted, deficits will continue, and eventually OTR's may not be picked up by processors but rather left in landfills. As stated, the government is withholding the levy decision for the next two years.

The main goal of the Board is to encourage higher value-added production of scrap tire products in Manitoba. Unfortunately, for the most part this means higher industry cost and higher subsidies required which does not line up with the desire to reduce levies. The Board has tried to reduce subsidies wherever possible, but clearly, it is essential that processors remain economically viable or the whole process will founder. The Board will continue to keep sharply aware of developments in other jurisdictions with a view to encouraging solutions which might be viable with less subsidy but this is by no means a given at this time. The Board will continue to assist the processors in pilot and demonstration projects through public and industry education, communication, and specific research.

TIRE STEWARDSHIP BOARD

FINANCIAL STATEMENTS

MARCH 31, 2001

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

K. B. Eisner & Co.

CERTIFIED GENERAL ACCOUNTANTS
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AUDITORS' REPORT

To the Board of Directors of the
Tire Stewardship Board

We have audited the balance sheet of the Tire Stewardship Board as at March 31, 2001 and the statements of net operations (deficit), surplus, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2001 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles.

CERTIFIED GENERAL ACCOUNTANTS

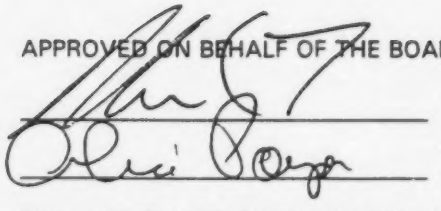
Winnipeg, Manitoba
June 25, 2001

TIRE STEWARDSHIP BOARD

BALANCE SHEET

	March 31 2001	March 31 2000
ASSETS		
CURRENT		
Petty cash	$ 100	$ 100
Cash	60,704	91,767
Accounts receivable	246,078	312,766
Interest receivable	270	300
Investments (note 4)	1,651,837	1,834,524
Prepaid expenses	7,444	2,613
	1,966,433	2,242,070
CAPITAL		
Furniture and equipment (note 3)	4,630	6,135
	$ 1,971,063	$ 2,248,205
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 96,826	$ 269,709
Wages payable	1,973	1,989
	98,799	271,698
EQUITY		
SURPLUS	1,872,264	1,976,507
	$ 1,971,063	$ 2,248,205

APPROVED ON BEHALF OF THE BOARD:



Director

Director

This is the Balance Sheet referred to in the Auditors' report dated June 25, 2001.
The accompanying notes are an integral part of these financial statements.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

STATEMENT OF NET OPERATIONS (DEFICIT)

	Year Ended March 31 2001	2000
REVENUE		
Tire levy	$ 2,011,019	$ 2,145,851
PST on tire levy (note 5)	133,253	153,257
Interest	108,123	96,272
	2,252,395	2,395,380
DIRECT EXPENSE		
Collection services	30,000	30,000
Levy commissions	5,100	5,590
Payments to processors	1,828,079	2,407,504
Payments to municipalities	78,077	60,057
	1,941,256	2,503,151
GROSS MARGIN (LOSS)	311,139	(107,771)
ADMINISTRATIVE EXPENSES		
Amortization	1,505	2,030
Automotive	6,128	5,050
Audit and legal	3,500	3,400
Board	9,622	11,240
Communications/conferences	10,800	6,023
Contracted services	120,215	122,649
Equipment leasing	1,186	724
Goods and services tax	6,192	5,765
Grants	12,000	30,000
Insurance	3,074	3,124
Office	18,681	5,782
PST levy not received (note 5)	133,253	-
Projects	268	41,530
Rent	10,298	11,325
Salaries and benefits	47,379	48,092
Telephone	3,798	4,073
Travel	27,483	25,889
	415,382	326,696
NET OPERATIONS (DEFICIT)	$ (104,243)	$ (434,467)

This is the Statement of Net Operations (Deficit) referred to in the Auditors' Report dated June 25, 2001.

The accompanying notes are an integral part of these financial statements.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

STATEMENT OF SURPLUS

	Year ended March 31 2001	2000
SURPLUS – Beginning of year	$ 1,976,507	$ 2,410,974
NET OPERATIONS (DEFICIT)	(104,243)	(434,467)
SURPLUS – End of year	$ 1,872,264	$ 1,976,507

This is the Statement of Surplus referred to in the Auditors' report dated June 25, 2001.
The accompanying notes are an integral part of these financial statements.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

STATEMENT OF CHANGES IN FINANCIAL POSITION

CASH PROVIDED (USED) BY:	Year Ended March 31 2001	2000
OPERATING ACTIVITIES		
Operations		
Net operations (deficit)	$ (104,243)	$ (434,467)
Item not involving cash		
Amortization	1,505	2,030
	(102,738)	(432,437)
Changes in non-cash working capital balances	71,675	339,225
(DECREASE) IN CASH AND EQUIVALENTS	(31,063)	(93,212)
CASH AND EQUIVALENTS - Beginning of year	91,867	185,079
CASH AND EQUIVALENTS - End of year	$ 60,804	$ 91,867

This is the Statement of Changes in Financial Position referred to in the Auditors' report dated June 25, 2001.
The accompanying notes are an integral part of these financial statements. K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2001

NOTE 1 - AUTHORITY AND PURPOSE

The Tire Stewardship Board operates under the authority of the Waste Reduction and Prevention Act Chapter W40, Statutes of Manitoba, 1990, pursuant to the Tire Stewardship Regulation, Manitoba Regulation 33/95.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis over the estimated useful lives of the assets at the following annual rates.

Furniture and fixtures	20%
Computer equipment and software	30%

NOTE 3 - CAPITAL ASSETS

	Cost	Accumulated Amortization	2001 Net Book Value	2000 Net Book Value
Computer equipment	$ 13,434	$ 11,488	$ 1,946	$ 2,780
Furniture and fixtures	7,915	5,231	2,684	3,355
	$ 21,349	$ 16,719	$ 4,630	$ 6,135

NOTE 4 - INVESTMENTS

Investments consist of funds held in the trust account of the Province of Manitoba.

NOTE 5 - PST ON TIRE LEVY

Province of Manitoba Treasury Board has, subsequent to year-end, advised that it will not provide the Tax Equivalency Grant on the tire levy to the Tire Stewardship Board for the years ending March 31, 2001 and March 31, 2002 respectively. For years subsequent to the year ending March 31, 2002 this decision may be reconsidered. For the year ended March 31, 2001 the revenue has been reflected along with an offsetting deduction reflecting that this amount has not been collected.

NOTE 6 - LEASE COMMITMENTS

The Tire Stewardship Board has entered into a lease agreement which expires as scheduled. Minimum annual lease payments are as follows:

Year-end March 31	2002	$ 6,030
	2003	6,030
	2004	6,030
	2005	1,005

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

NOTE 7 - UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.